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STATE FOR WHA/BSC, PM/DTCC--BLUE LANTERN COORDINATOR

E.O. 12958: N/A
TAGS: [ETTC](#) [KOMC](#) [CI](#)
SUBJECT: COMPLETED BLUE LANTERN CHECK--APPLICATION 050135240
REF: 08 STATE 130257

¶1. (SBU) Embassy Santiago recommends that JL Commercial Services' application for USD 3 million of UH-1H helicopter parts be denied. Subsequent paragraphs describe site visit to JL Commercial Services and additional information about the end-user, Flight Services.

Site Visit to JL Commercial Services

¶2. (SBU) Per reftel request, Poloff conducted a site visit and Blue Lantern pre-license check of JL Commercial Services on January 6. The company operates out of the owner's modest townhome in a middle-class residential neighborhood in Santiago. Juan Loyola, the head of the company, said that he had been the chief of the logistics department of a Chilean company called Linea Aeroservices for ten years. Two years ago, he decided to leave Linea Aeroservices and found his own company acting as a broker for the supply of aircraft and helicopter parts. Loyola has a 51% share in the business, which he said is wholly family-owned. The company has one other employee, a clerk.

¶3. (SBU) Loyola claims to have had USD 30 to 40 million in sales last year, and says that his clients include Heliagro Ltda., the Chilean Armed Forces, Heliservice, Helicopstar, Aeromar, Labmeter, Eurocopter, and Los Cedros. He stated that he has also been contacted by LAN Chile and LAN Peru about supplying parts to them. When questioned about just two employees managing such a high sales volume, Loyola stated that it was not too much work. He also noted that his profit margin was 10-15%, and that such a business requires millions of dollars of capital. He said that his capital came from his family, although they were not wealthy.

¶4. (SBU) When asked specifically about the company that was buying the helicopters, Loyola could not immediately recall the name of the company, but later looked in his records and confirmed that it was Flight Services. When asked for information about Flight Services--size, type of business, how the helicopters would be used--Loyola was unfamiliar with many details about the company and performed a Google search. Loyola later asserted that Flight Services performed fire-fighting services on behalf of the Chilean government and also used the helicopters for search and rescue and agricultural purposes.

¶5. (SBU) Loyola said that he had little idea what volume of helicopter parts he could realistically expect to sell to Flight Services over the next three years and had listed USD 3 million as an upper limit. When asked where he would store the helicopter parts, he indicated that he generally stored parts under the stairs in his home and in his garage. He seemed confused by Poloff's question about securing the parts, suggesting that they would be safe because they were in his home and would remain in their

original packaging. Loyola said that he would transport the parts from his home to Flight Services using the commercial shipper Chile Express.

Additional Information about Flight Services

¶6. (SBU) Emboffs were not able to visit Flight Services, located in Concepcion, Chile. However, emboff has found a reference to the sale of four Bell UH-1H's from Northwest Helicopters to Flight Services in 2005. Additional information is available at www.nwhelicopters.com/hfs/index.php?option=com_content&task=view&id=33&Itemid=51.

Post Recommendation

¶7. (SBU) Post finds Loyola's claims that he and one other employee run a home-based business with USD 30 to 40 million in annual sales to be implausible. Loyola has little information about the purpose or likely sales volume of UH-1H helicopter parts and no awareness of the need for storing and transporting the items securely. Post recommends that the license application be denied.

SIMONS